DEPARTMENT OF THE NAVY
COMMANDER
NAVY REGION HAWAII
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PEARL HARBOR, HAWAII 96860-4884

Canc: 1 Jul 02

IN REPLY REFER TO:
COMNAVREGHINOTE 5200
N00B:AI
JUL 16 2001

COMNAVREG HAWAII NOTICE 5200

Subj: IMPLEMENTATION OF NAVY REGION HAWAII ACTIVITY-BASED COSTING/ACTIVITY-BASED MANAGEMENT (ABC/M)

Ref: (a) Implementing Arrangement between Commander in Chief, U.S. Pacific Fleet (CINCPACFLT) and the Royal Australian Navy (RAN) for ABC/M Implementation
(b) PricewaterhouseCoopers (PwC) ABC Contract with CINCPACFLT
(c) COMNAVREGHIINST 5200.8

Encl: (1) Implementation of Activity-Based Costing/Activity-Based Management (ABC/M) in Navy Region Hawaii

1. Purpose. Assign action for implementation of Commander, Navy Region Hawaii, ABC/M Initiative.

2. Discussion

a. Navy Region Hawaii has been identified as the lead site for implementation of Activity-Based Costing/Management (ABC/M) of Base Operating Support (BOS) services within CINCPACFLT claimancy. References (a) and (b) describe joint ABC/M initiatives between CINCPACFLT, the RAN, and PwC for the implementation.

b. In accordance with reference (c), Navy Region Hawaii will conduct Strategic Sourcing (SS) initiatives on all regional functions and associated labor resources (military and civilian). Implementation of ABC/M will be in conjunction with and supportive of regional SS initiatives.

3. Action

a. Program Managers, Functional Managers, the Guiding Coalition Council and the Regional Business Office shall support implementation by providing the necessary resources to ensure full and successful implementation of ABC/M in the region as outlined in enclosure (1).

b. At the conclusion of ABC/M implementation in the Region, in approximately five months from the date of this Notice, the Strategic Sourcing and Planning Office shall replace this notice with a Commander, Navy Region Hawaii Instruction (COMNAVREGHIINST) to outline policies, procedures and responsibilities for administration and maintenance of the Navy Region Hawaii ABC/M Program.

R. T. CONWAY, JR.

Distribution:
COMNAVBASEPEARLINST 5605.1F
Case 1, List II

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COMNAVREGHINOTE 5200
JUL 16 2001

IMPLEMENTATION OF ACTIVITY-BASED COSTING/ACTIVITY-BASED MANAGEMENT (ABC/M) IN NAVY REGION HAWAII

Attachments:
A. ABC Five-Stage Project Plan
B. Organizational Involvement
C. ABC/M Project Organization

1. Background

a. In September 1999, Commander in Chief, U.S. Pacific Fleet (CINCPACFLT) N4, at the invitation of the Royal Australian Navy (RAN), traveled to Australia to discuss areas of mutual logistics interest. One of the topics was the role of ABC/M as a decision support tool for strategic and operational managers. Subsequent liaison at the working level of the RAN Headquarters and CINCPACFLT N462 continued the exploration of potential opportunities for U.S. Navy/RAN mutual assistance in ABC/M. In August 2000, the RAN visited CINCPACFLT to demonstrate the RAN ABC/M capability and proposed providing CINCPACFLT with similar tools and techniques.

b. The CINCPACFLT/RAN working group developed the criteria for selecting the region to start the first phase for implementing ABC/M in the Pacific Fleet. A Commander in Chief, U.S. Atlantic Fleet (CINCLANTFLT) representative is participating in this effort for eventual implementation of ABC/M in the Atlantic Fleet using the experience from the Pacific region. The CINCPACFLT ABC/M initiative started with the arrival of the RAN ABC/M team members in March 2001 and was subsequently complemented with PwC members in June 2001.

c. Attachment A describes the five stages in the ABC five-month project plan. Attachment B shows the involvement required by regional organizations throughout the project. Attachment C is the ABC/M Project Organization. Region resources will be required to support the project organization on full and part-time bases depending on the phase of work.

2. Implementation

a. Scope and Boundary of the Project:

(1) Cost Model Scope and Boundary. The boundary of the cost model will be the activities in the OPNAV N46 Core Business Model (CBM) as performed within COMNAVREG HI. The scope will be the accrual of functional resources consumed in performing these activities. The scope and the boundary business rule and other key documents will be signed-off and approved by the Regional Commander.

(2) The ABC/M System. The ABC/M system will be a low cost, web-enabled solution that uses a commercial off-the-shelf (COTS) processing engine, a user presentation tool, and a custom built tool for data input.

(3) Management Development. Initial management training will be limited to COMNAVREG HI members of the project team and the end-users of ABC/M products. That is, the primary focus will be on managers whose business operations are the subjects of the model.

(4) Change Management. Because Region and Fleet personnel will be involved with using new decision support tools, management must be kept apprised of the development effort in order to maintain the critical mass of supporters that is required throughout the project. The scope of the change management effort will consist of effective communication, by targeting different audiences with general and tailored information at various stages of the project.

(5) Plan for Rollout across CINCPACFLT. The project will be monitored by CINCPACFLT for planned migration across the Fleet; other interested parties include OPNAV and CINCLANTFLT.

(6) Acceptance Testing and In-Service Management. The project will deliver a number of products that will require maintenance after completion of the project. While the "core" products will be the ABC/M model and underlying system, a number of enabling tools and techniques such as the dictionaries and configuration control documentation will also be provided. Resources required for program maintenance will be identified as

early on in the project as practicable to allow for timely planning and budgeting.

b. The Approach. This section describes how and what work will be completed. The project approach is briefly summarized below and depicted in Attachments A and B.

(1) Stage 1: Mobilize. The first stage establishes and trains the project team, clarifies the objectives and defines the scope and boundaries for the project, and begins the initial model development.

(2) Stage 2: Design. Define cost objects and activities, validate model architecture and develop data collection plan. During this step, there will be focus group (consisting of team members and functional managers) sessions and interviews with employees to define activities and processes.

(3) Stage 3: Measure. Develop data collection and analysis tools. Supervisors and/or employees will assign time to work activities via web tools. This data will be reviewed and validated. Interviews will be conducted with selected employees to search/collect "driver" data.

(4) Stage 4: Realize. Populate the model, review, and validate the data. Review the results with and train the managers on the use of the data, and identify predictive modeling opportunities.

(5) Stage 5: Refresh/Sustain. Re-survey and update the model and review the results.

3. The ABC/M Project Organization (Attachment C)

a. Project Sponsors. The COMNAVREG HI BOS ABC/M project is co-sponsored by COMNAVREG HI N00 and CINCPACFLT N46. As project sponsors, they are the champions for the project, have formal authority, and are independent of the project. They are ultimately responsible for the success of the project.

b. Project Director. The Project Director, CINCPACFLT N46A, reports directly to and liaises with the project sponsors for deployment of ABC/M throughout the Fleet beginning with Navy Region Hawaii. He has formal authority and is similarly independent of the project. However, the Project Director plays a more active role in the development of the project, provides regular advice and guidance to the Project Lead and will be regularly briefed by the Project Lead on the status of the project.

c. ABC/M Executive Steering Group (ESG). The Group's primary function is to oversee and provide overall guidance and direction to the project team to ensure the project's goals and objectives are aligned with the strategic direction of CINCPACFLT. Members of the ESG are the major stakeholders in the project which include CINCPACFLT N46, N46A, N6N8, COMNAVREG HI N00, N00KM, N01, N46, N8, a CINCLANTFLT member, a RAN member, and members from COMNAVREG NORTHWEST and COMNAVREG SOUTHWEST.

d. Project Lead. The Project Lead is COMNAVREG HI N8. He shall report to the Project Director and the Regional Commander, and is responsible for the day-to-day operation of the project. His responsibilities include defining the roles of the key stakeholders, identifying the project team members and assigning them roles and responsibilities, developing and maintaining the project plan, managing the project budget, and ensuring the quality of the project deliverables. He will also be responsible for developing the communications plan, representing the project at all Working Group and Steering Committee meetings, regularly briefing the Project Director and sponsors on the status of the project, preparing formal project status reports on a biweekly basis, and actively promoting the project to the region. In addition, the Project Lead will initiate actions necessary to provide for organic assets to exercise and maintain the ABC Model developed under this program.

e. ABC/M Working Group. The Working Group reports to the ESG. The members actively participate in determining the course of the project including finalizing and monitoring the scope and boundary of the project, actively promoting the project within their organization and to other internal stakeholders, and reviewing and endorsing all formal project deliverables. The Working Group consists of COMNAVREG HI N8 (Chair) and N00KM, and CINCPACFLT N6, and N462.

f. Project Team. The core team consists of full and part-time members, with specific skills for management development, IT/IS, ABC/M model-build/maintenance, and data management. The members will be COMNAVREG HI N8 (Project Lead) and representatives from CINCPACFLT N462, COMNAVREG HI SSPO, COMNAVREG HI Comptroller Office, the RAN and ABM Technologies Australia, a representative from CINCLANTFLT, and representatives from PwC. Other members may be added to the core team during the project's life.

ABC FIVE-STAGE PROJECT PLAN

Stage 1: Mobilize — *June*

- Confirm needs & clarify objectives
- Develop detailed project plan
- Establish & train team
- Build awareness
- Define scope and boundaries
- Review source data & information

Stage 2: Design — *July-August*

- Define cost objects & drivers
- Define activities & refine drivers
- Validate model architecture
- Develop data collection plan
- Identify secondary or supplementary metrics

Stage 3: Measure — *September*

- Develop data collection and analysis tools
- Conduct data collection interviews
- Review & validate source data
- Document data sources

Stage 4: Realize — *Oct/Nov*

- Populate model
- Design reporting structure
- Review & validate results
- Identify opportunities
- Provide deliverables

Stage 5: Refresh/ Sustain — *Nov/Dec*

- Revise Model Structure
- Repopulate
- Report

Attachment A

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JUL 16 2001

Organizational Involvement

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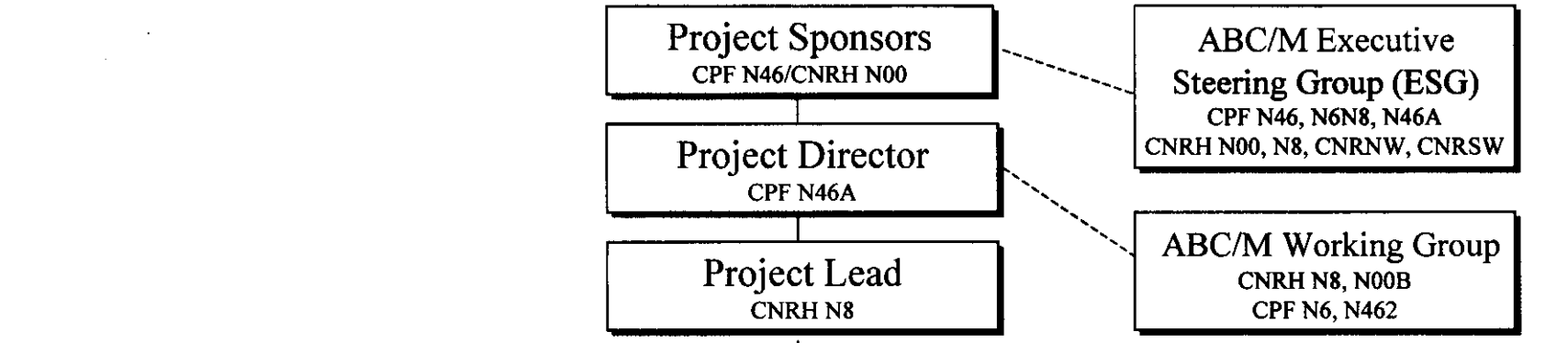
Attachment B

ABC/M Project Organization



Management Development (for using ABC/M data)	IT/IS Support	ABC/M Model Build / Maintenance	Data Management
- Training Materials	- Data Collection, Validation and Cleansing Tool Development	- Methodology	- Source Data
- Training Delivery	- Application Support	- Business Rules	- Data Cleanse & Transformation
- Communication Plan	- Database Administration	- ABC/M Model/ Build/Updates	- Standard Operating Procedures
		- Predictive Modeling	

Attachment C

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